Good afternoon. It is indeed a great pleasure for me to be here today to discuss what I believe are key elements that are going to factor prominently during the coming months.

These elements are: the Coast Guard's current and future operating environment, the broad range of maritime threats and challenges we expect to face in the decades to come, and our focused strategy for meeting and overcoming these threats and challenges. A critical focus, of course — and the topic of my briefing today — is the Coast Guard's national defense role in the 21st century. I am especially pleased to have the opportunity to discuss our considerable contributions to U.S. national security and defense for two reasons. First, because each of these key elements comes together in the nation's Deepwater Program, and second, because it gives me the chance to highlight the military dimension of our Service, one which we believe is not well understood by the Administration, the Congress, or the American public.

This is a critical time in the history of America's Coast Guard, one that offers an important opportunity to re-validate our core mandates — to protect U.S. citizens, interests, and friends wherever and whenever at risk; to safeguard maritime sovereignty; and to ensure homeland defense. We also believe that we have an unprecedented opportunity to align the Coast Guard's core mandates with the requirements to re-engineer and recapitalize our aging ships, aircraft, and "C4ISR" systems for the future to sustain our ability to meet the demands thrust upon us, especially in the Deepwater operating environment.

As a "bottom line," let me assure you that the Coast Guard is eager to go the extra mile to ensure that the Service is given the broad mandate and authority — as well as tools — necessary to safeguard America's national security and defense interests in the 21st century, all

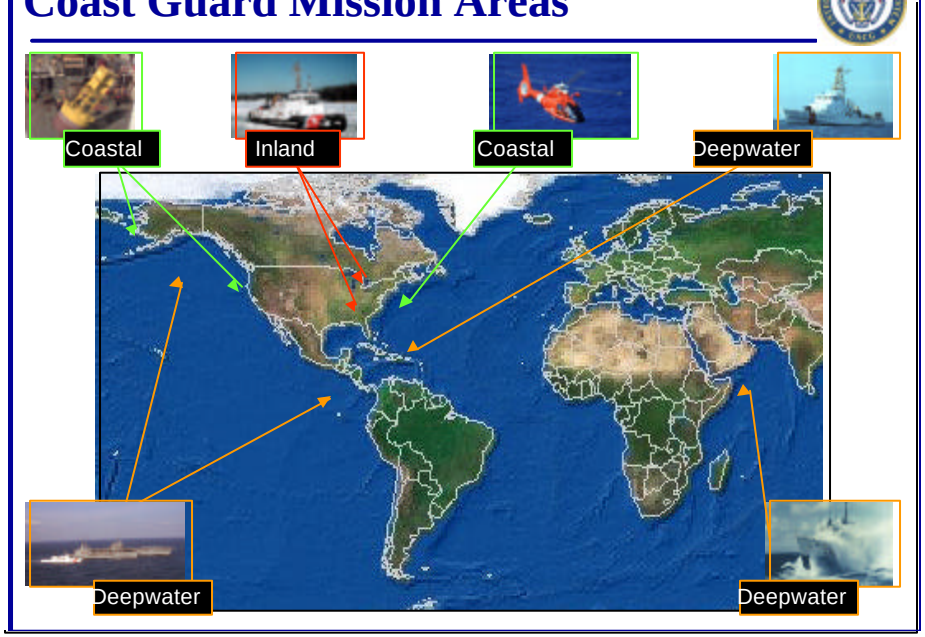
A Deepwater Legacy

Since 1790, the Coast Guard has unfailingly provided vital services and benefits to the United States because of its distinctive blend of humanitarian, law-enforcement, diplomatic, and military capabilities. Deepwater assets defend the nation's sovereignty and national security in America's ports and coastal waters as well as offshore.

Many people are unaware of the significant role the Coast Guard has played throughout our nation's history. While to many Americans the Coast Guard symbolizes saving lives along our shores, the Service has a distinguished history serving on the frontlines of America's safety and security in global deepwater and high seas regions.

Originating in 1790 as the Revenue Cutter Service, the Coast Guard has played an integral part in asserting our national sovereignty. Created to enforce tariff laws, the Coast Guard served during our country's early years as our only maritime defense, protecting lives and property, and serving in each of America's major military confrontations since.

Following the merger of the Revenue Cutter Service and the U.S. Life-Saving Service to form the United States Coast Guard on January 28, 1915, the Coast Guard continued the proud tradition of these Services, providing exemplary service both at peace and in our military conflicts.



The Coast Guard is probably best known for its work in the **Coastal** environment.

Yet, many people don't realize that we have responsibility for all navigable **Inland** waters as well.

But this discussion will specifically focus on the missions we conduct and assets we operate in the **Deepwater** arena.

The threats and challenges faced by the United States are similar to the threats and challenges faced by all maritime nations. Countering those maritime threats and challenges specifically targeted against the "homeland" of the United States is the responsibility of the United States Coast Guard.

The Coast Guard classifies its missions into three areas of operation: inland, coastal, and deepwater. Deepwater missions are characterized as typically requiring an extended on-scene presence, long distances to reach the operating area, forward deployment of forces, or a combination of these.

The Coast Guard performs its legislatively mandated Deepwater missions world-wide, additionally classifying them into the five strategic goals shown here:

- Maritime Safety
- Maritime Security
- Protection of Natural Resources
- Maritime Mobility
- National Defense

Maritime Safety

SEARCH AND RESCUE

"When the SAR Alarm Goes Off, We're Always There"

Maritime Safety

Ignoring safety at sea can carry a high price in lives and dollars. Marine-related commercial accidents cost marine industries approximately $1.1 billion per year, and this figure does not capture the intangible costs associated with lost lives and a damaged environment.

The continuing trend toward mega-cruise ships that carry thousands of people presents a daunting challenge to the Coast Guard's ability to safely rescue or evacuate passengers and crew.

The Coast Guard was there to rescue all 524 passengers and crew when the cruise ship Prinsendam caught fire off Alaska in 1980. Similarly, the Coast Guard was poised and ready while the cruise ship Ecstasy battled a fire off Miami in 2000.

In addition to the cruise ship industry, the general recreational boating public is expected to increase by approximately 12% over the next decade. Today, some 800 Americans die every year in recreational boating accidents leading to one of the highest transportation-related fatality rates.

The Coast Guard seeks to reduce these costs by preventing accidents before they happen and assisting mariners and boaters who find themselves in jeopardy on the sea.

Maritime Security

DRUG INTERDICTION

Coast Guard Impact (Fiscal Year 2001):

- Seized 138,393 lbs. of Cocaine
- Seized 34,520 lbs. of Marijuana
- $4.5 Billion of Drugs Interdicted

The Coast Guard is designated the lead agency for maritime drug interdiction under the National Drug Control Strategy and shares lead-agency responsibilities with the U.S. Customs Service for air-interdiction operations.

For more than two decades, the Service's cutters and aircraft forward deployed off South America and in the Caribbean transit zone have been critical to the goals of detection, disruption, deterrence and seizure of illegal drugs that kill 15,000 Americans and cost the public more than $110 billion each year. This mission occupies a large percentage of the Coast Guard's time and consumes a tremendous number of assets.

Maritime Security

ALIEN MIGRATION INTERDICTION

- Estimated that over 30,000 people illegally migrate to the western hemisphere every year
- $10-30,000 per migrant to send them back to their country of origin if they reach our shores.

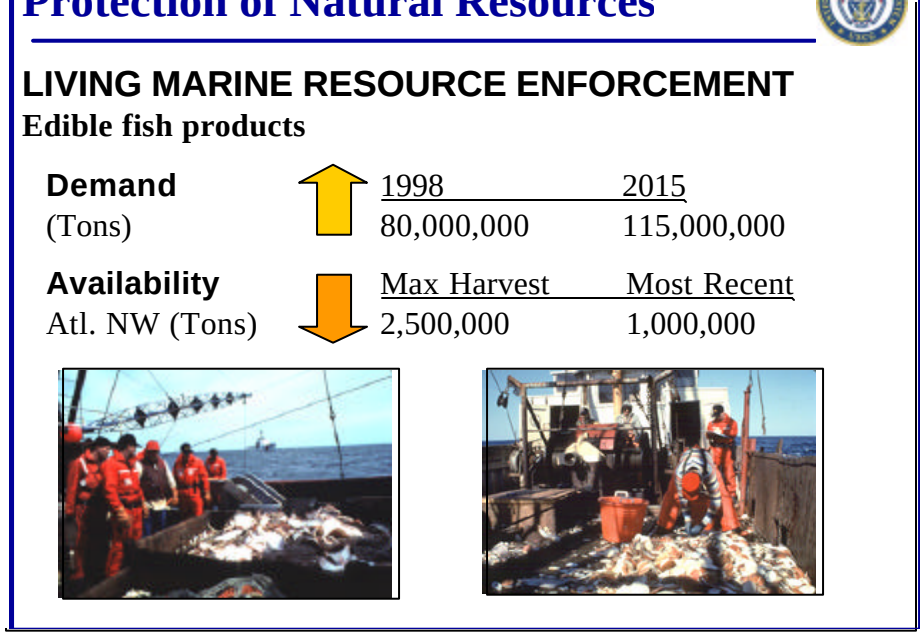
"As the gap between the 'haves' and the 'have nots' widens, there will be increasing occurrence of illegal migrants attempting to reach our shores."

Alien Migrant Interdiction

As economic, cultural, ethnic and political strife remains endemic throughout much of the world, there will continue to be increasing numbers of illegal migrants attempting to reach our shores.

In 1994, more than 25,300 Haitian migrants were interdicted in Operation Able Manner while, almost simultaneously, nearly 38,600 Cuban migrants were interdicted in Operation Able Vigil. In the four years ending in December 1997, the Coast Guard interdicted more than 17,000 other illegal migrants from 21 countries attempting to reach the United States by sea.

In many cases, migrant interdiction operations are as much a humanitarian effort as they are law enforcement, as migrant vessels interdicted at sea are often overloaded and unseaworthy. In every case, illegal migrants strain the healthcare and social assistance systems of the United States.



Fisheries Enforcement

Another consequence of an increasing world population is a corresponding increase in demand on the world's marine resources. This means even greater pressure on an already strained fisheries industry. While the demand for edible fish products continues to rise with a growing world population, our dwindling resources, coupled with a $30 billion a year commercial and recreational fishing industry, are at risk.

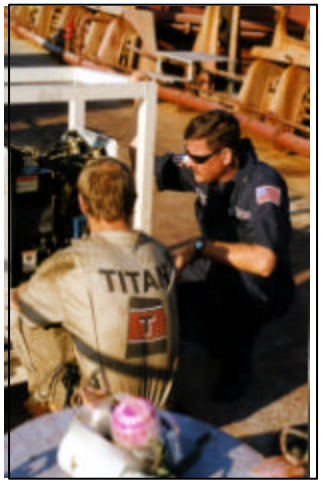
The years following World War II saw an expansion in the size and efficiency of global distant-water fishing fleets. In response, the Fisheries Conservation and Management Act of 1976 increased our offshore fishing area to a 200-mile zone, greatly expanding the responsibilities of the Coast Guard.

Today, the Coast Guard faces the daunting challenges of patrolling and protecting the living marine resources under the jurisdiction of the United States, as well as patrolling even greater high seas areas, enforcing international fishery regimes.

Maritime Mobility

FOREIGN VESSEL INSPECTION

- In 1997, some 90 % of U.S. foreign trade by tonnage - valued at nearly $1.7 trillion - moved by ship, most of it in vessels flying the flags of other countries.
- On average, 14 foreign vessels enter/depart U.S. ports for every U.S. vessel on an international voyage.



Maritime Mobility

Waterborne trade, the life-blood of the American economy, carries raw materials and finished goods to and from every corner of the world. U.S. oceanborne exports have increased 50% since 1990, a trend that is expected to continue. Ironic for a country so tied to the sea and dependent upon sea power to protect national interests, America's aging and fragmented marine transportation system is stressed and that stress continues to increase. Less than three percent of the total U.S. oceanborne trade is carried on ships flying the American flag, which raises concerns about safety.

Goods totaling 95% of our foreign trade move by sea as well as 90% of our war fighting materials that would move in the event of a major theater war. With more than 51,000 port calls made by over 7,500 foreign flag ships to our 361 ports each year, anyone wishing to harm U.S. interests by sea could do so by blending in with peaceful, legal traffic from all points of the compass.

It is more critical than ever that the Coast Guard have the ability to identify and inspect vessels as far from shore as possible. The enforcement of international laws and treaties through the inspection of foreign vessels entering U.S. ports helps to keep substandard foreign vessels out of U.S. waters. Substandard vessels are a threat to the marine environment as well as to the port infrastructure.

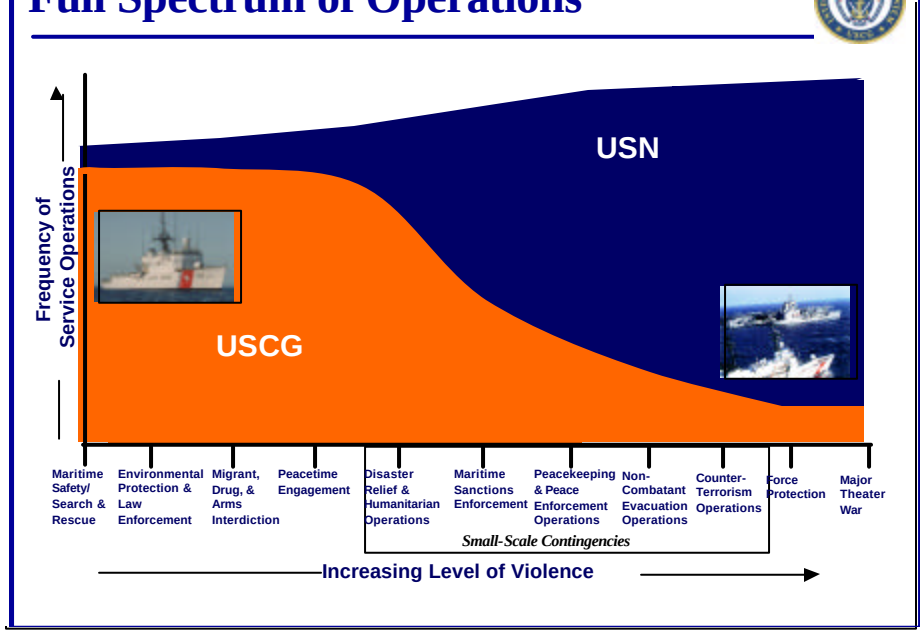
National Defense

Following our nation's War of Independence, the Continental Navy was disbanded, and from 1790 until 1798 the Coast Guard served as our only national maritime force. The Coast Guard has participated in each of our nation's military engagements since.

Today, the military, multi-mission, maritime Coast Guard is an increasingly important element of America's multi-faceted security strategies as it responds to contemporary and evolving threats and challenges at home and abroad.

The Coast Guard performs unique tasks which display America's military presence and protect our nation's sovereignty. Because of its distinctive blend of humanitarian support, civilian law enforcement, diplomatic peacekeeping, and military capabilities, Coast Guard units play critical roles in peacetime forward presence, crisis-response, and combat operations across the spectrum of U.S. engagement scenarios from small-scale contingencies to major theater wars.

To shape the international environment, the Coast Guard works to promote democracy, build trust and friendship among former adversaries and contribute to economic prosperity, thereby supporting the U.S. national security strategy.



This chart illustrates the spectrum of our operations to shape the international environment and respond to crises and contingencies.

It is important to keep in mind that the Coast Guard is not a navy, but a distinctive U.S. Armed Service with a separate national defense identity and purpose. The Coast Guard provides unique national defense capabilities that complement those of the U.S. Navy and Marine Corps and that support the Regional CinCs, as well as our allies and friends, in joint and combined efforts to ensure regional peace and security.

New and emerging technologies must be merged with innovative operational concepts to greatly improve the Coast Guard's ability to conduct joint and combined operations across the full range of peacetime, crisis, and wartime missions. The ability to conduct this full spectrum of national defense operations, in addition to the unforeseen requirements that lie ahead, is at the heart of our Deepwater Program.

Interoperability: National Fleet

"The Navy and Coast Guard will work together to build a National Fleet of multi-mission surface combatants, major cutters, patrol boats, and aircraft to maximize our effectiveness across all naval and maritime missions.

The Navy and Coast Guard will coordinate resource planning, information systems integration, and research and development, as well as expand joint concepts of operations, logistics, training, exercises, and deployments.

The Coast Guard and Navy will work together to acquire and maintain forces that mutually support and complement each Service's roles and missions."

– NATIONAL FLEET
A Joint Navy/Coast Guard Policy Statement
27 February 2001

The National Fleet Policy Statement recognizes that the Navy and the Coast Guard share responsibility for safeguarding America's maritime interests and frequently must act in concert to do so.

The Policy Statement commits the Navy and the Coast Guard to work together more effectively to operationally integrate their forces, providing the people of the United States with the highest level of maritime capabilities for their investment.

The National Fleet envisioned by the Policy Statement would consist of surface combatants, major cutters, patrol boats, and aircraft capable of operating together to meet the entire spectrum of America's twenty-first century maritime needs.

Wherever possible, these forces will be designed around common equipment and systems and will be interoperable to provide in depth force for peacetime missions, crisis response and major theater war tasks.

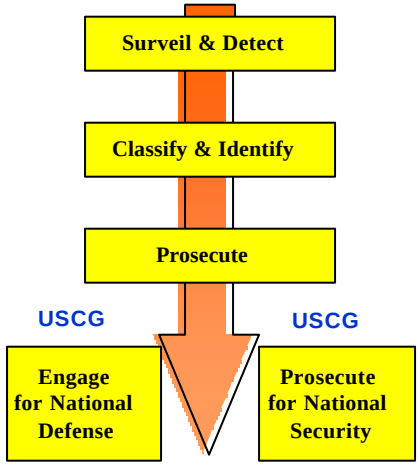
Deepwater mandates full interoperability with the Navy and NATO allies. (e.g. C4ISR architecture)

The National Security Cutter will be designed for crisis-response and smaller-scale contingency missions required of shallow-draft warships in low threat environments. It will be capable of operating with naval surface combatants in order to complement naval capabilities for full-spectrum warfare.

Maritime Security "Cornerstones"

Prevention and timely response are key to success:

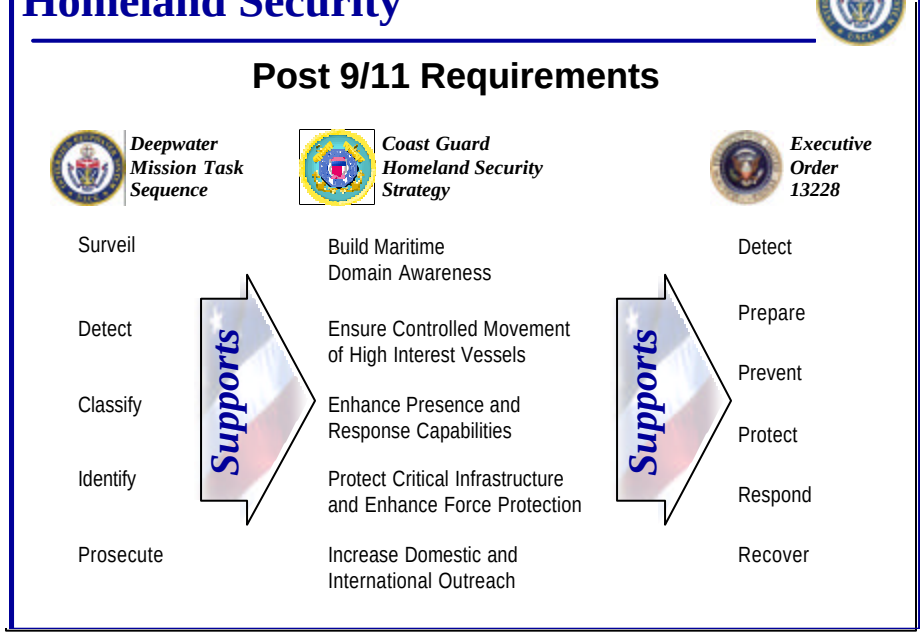
- Active and acceptable presence
- Mission task sequence
- Innovative tactics, techniques & technologies
- Local, regional, national and international cooperation
- Outreach and education



In all key Coast Guard mission areas, the enduring task of providing an effective presence involves the mission task sequence of surveilling and detecting; sorting, classifying, and identifying; intercepting; and engaging and prosecuting targets of interest remain at the core of our national defense role.

Just as the the U.S. Navy depends on each of these tasks for forward presence, crisis response, and warfighting, the Coast Guard depends on a well-defined mission sequence during peacetime, crisis, and war to rescue the distressed, ensure safe maritime transport, protect America's marine resources and environment, uphold the law on the sea, and safeguard U.S. diplomatic and military interests around the world.

To ensure this capability, the Coast Guard will rely on network-centric operations as opposed to platform-centric, in which the focus is on linking diverse platforms together in a "network" of information. By linking and netting our well-informed but geographically dispersed surface, air, C4ISR, and shoreside infrastructure assets, the Coast Guard will operate within a "web" of strategic, operational, and tactical data that supports mission objectives.



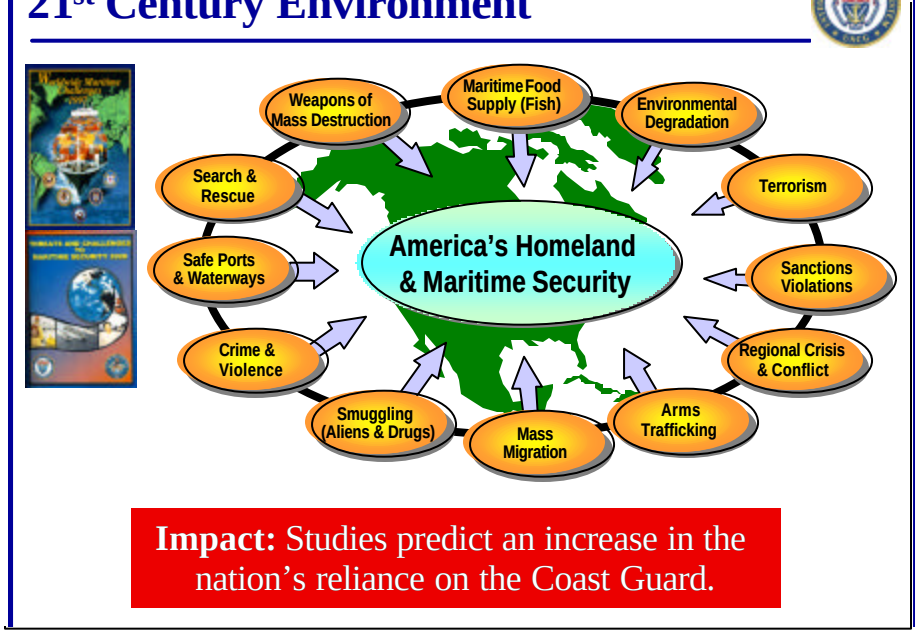
Effective homeland security is built upon awareness, prevention, response and consequence management. The primary objective remains protection, which depends upon awareness and interdiction capabilities.

It is in America's strategic interests to identify, deter, and when necessary intercept and eliminate threats as far from our homeland as possible. The far reaches of our maritime domain, not a waterfront pier in a populated area, is the optimal place for the Coast Guard and its law enforcement and military partners to react to emerging maritime threats.

In addition to providing the Coast Guard the ability to identify and interdict possible threats as far from shore as possible, Deepwater assets will also remain on-scene in our internal waters and ports, providing command and control presence for extended periods. Once a threat is within U.S. waters, Deepwater assets will provide the means to detect, intercept and neutralize it.

The Deepwater System was developed around the surveil – detect – classify – identify – prosecute mission task sequence; the sequence Coast Guard units follow in performing all Coast Guard missions.

Because Deepwater assets have been designed around this task sequence, the multi-mission assets of the Integrated Deepwater System will be well-suited for meeting the needs of the Coast Guard's Homeland Security mission, which supports our nation's objectives outlined in Executive Order 13228.

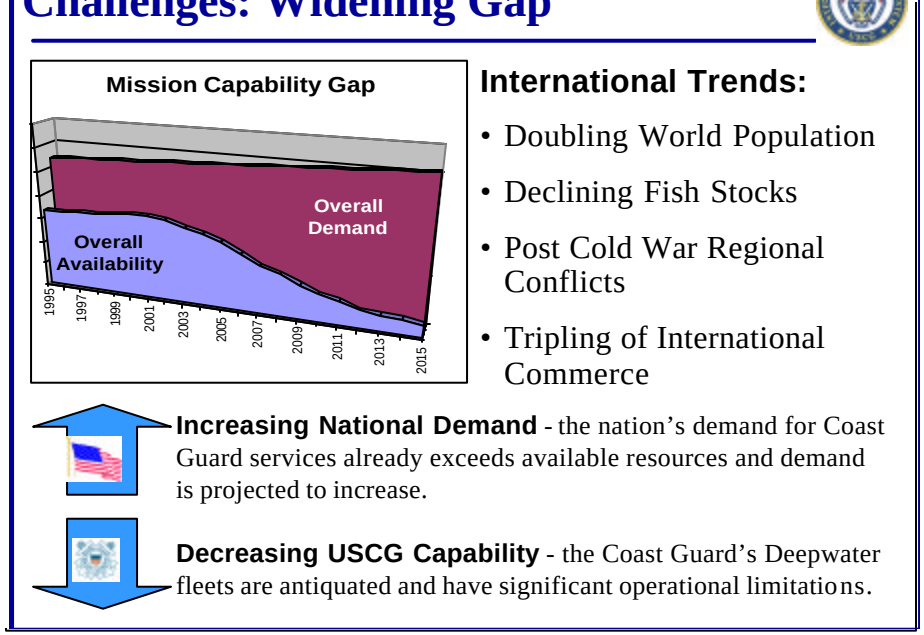


Even before the September 11th terrorist attacks, our country faced an array of maritime security challenges – environmental degradation, illegal migration, over-fishing, drug smuggling, organized crime, arms trafficking, pandemics, mass migrations, and proliferation of weapons of mass destruction. In the 21st Century, demand for

As we look to our third century of service to America, a complex mosaic of maritime users, interests, and threats will challenge the nation and our allies and friends as never before.

Terrorist threats, the increasing dependence on high-technology transportation systems and communications networks, and increasing illegal immigrant transportation and smuggling need our immediate attention.

Likewise, there are four security challenges – large-scale, cross-border aggression; failed states; transnational dangers; and the flow of potentially dangerous technologies – that will certainly drive the need for a full spectrum of civilian law enforcement and military capabilities to protect U.S. interests.



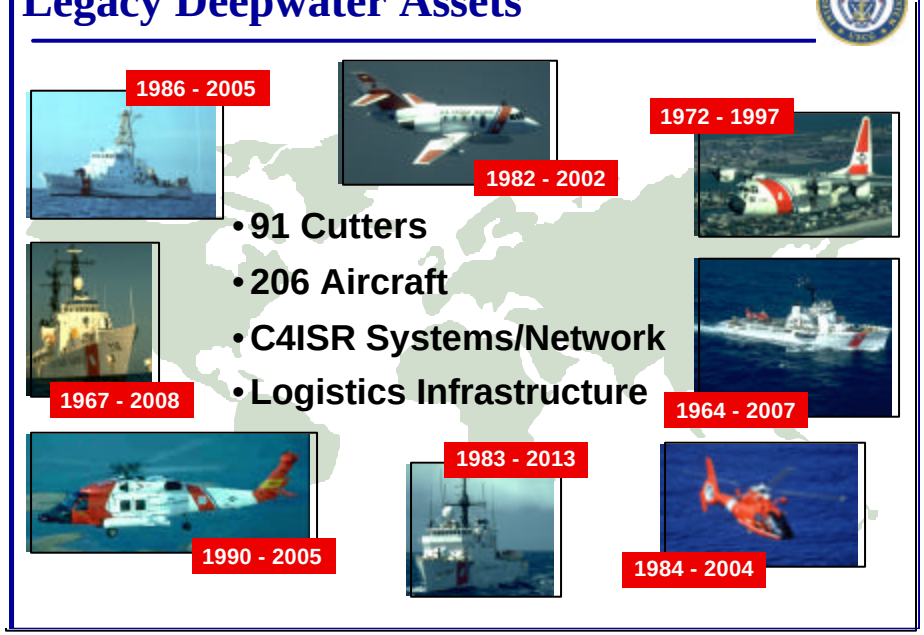
Global Trends – Future Threats

Coast Guard services is projected to increase. Studies by the Office of Naval Intelligence and others foresee global events as greatly increasing the nation's reliance on the Coast Guard. These dangers pose direct threats to American lives, property, safety, health, stability, and values.

National security experts inside and outside the Coast Guard predict that many of the future maritime challenges expected to confront our nation in the early part of the next century encompass missions or roles that the Coast Guard has been performing for the United States for more than 200 years.

The Coast Guard is uniquely positioned to provide America with a versatile, multi-mission force to address security challenges in the maritime domain. To deal with transnational threats at sea – most of which have a significant law enforcement dimension to them – the U.S. cannot look solely to a military solution. The Coast Guard has broad law enforcement and regulatory civil authority, military capabilities, and a coastal and offshore presence to bring to bear against Homeland Security requirements. The Coast Guard is a proven coordinator that routinely works side by side with other federal, state and local agencies as well as other US armed services, friends and allies to eliminate threats to US maritime security.

Overall, the Coast Guard can expect a greater role as a unique instrument of national security.



Seen here are the tools the Coast Guard currently operates in the Deepwater environment to meet our nation's maritime security responsibilities:

We have 5 classes of **cutters**:

- 12 378' High Endurance Cutters first commissioned 1967
- 13 270' Medium Endurance Cutters first commissioned 1983
- 16 210' Medium Endurance Cutters first commissioned 1964
- 3 Mature Class Medium Endurance Cutters first commissioned 1942
- 49 110' Coastal Patrol Boats first commissioned 1986

We have 4 classes of **aircraft**:

- 30 HC-130 Long Range Aircraft first entered service 1972
- 41 HU-25 Medium Range Jets first entered service 1982
- 93 HH-65A Short Range Helicopters first entered service 1984
- 42 HH-60J Medium Range Helicopters first entered service 1990

In addition to these cutters and aircraft, the Program also includes the Coast Guard's Deepwater command, control, communications, sensor, and logistics infrastructure.

The challenge facing the Coast Guard is that most of these assets are approaching the end of their planned service life within the next ten years. Planned service life is a maintenance concept which

Challenge: Aging Deepwater Assets

- **Capability Gap** - Mission demands exceed capabilities (e.g. speed, sensors, comms)
- **Technology Gap** - 30+ year old technology hinders effectiveness & drives up costs

- **Logistics Gap** - Maintenance costs increasing while operational availability decreasing

The average age of our Deepwater cutters is 28...The Coast Guard fleet of High and Medium Endurance Cutters is older than 37 of the 39 (naval) fleets worldwide...

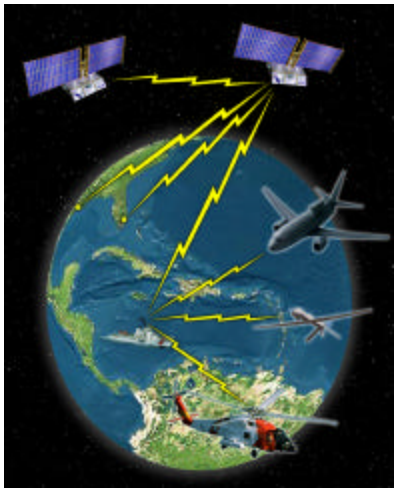
As illustrated by the quickly approaching end of planned service life dates, essentially the Coast Guard faces a **Block Obsolescence** problem with its Deepwater assets. Moreover, a consequence of an aged fleet are significant performance and support problems.

Capability Gap - existing Coast Guard Deepwater assets lack fundamental capabilities necessary for efficient & effective mission performance. Examples include: insufficient cutter speed; poor sensors and night operations ability on both aircraft and cutters; limited interoperability between cutters and aircraft - some medium endurance cutters lack flight decks and cannot deploy with aircraft, and the H60 medium range helicopter is too large to safely land on all but a few cutters; inadequate communications and limited access to mission-critical information – most cutters and aircraft communicate only by voice, deployed cutters/aircraft lack real-time or near real-time access to essential operations databases, and cutters/aircraft have limited ability to share tactical information and situational awareness.

Technology Gap - cutters based on 30 year old technology - lack of automation drives larger crew sizes -- making personnel costs two thirds of the operating cost of a major cutter; antiquated sensors degrade target detection & surveillance.

Logistics Demands Increasing - as assets continue to age, they place greater demands on logistics infrastructure. For example, the manufacturer of the main engines on the 210’ class of cutters has long since ceased production and support. Similarly, the gas turbine engines on the

Solution: Integrated Deepwater System



Acquisition Strategy:

- Integrated System of Systems
- Focus on Capabilities Not Assets
- Collaborative Industry Partnership

Overarching Objective:

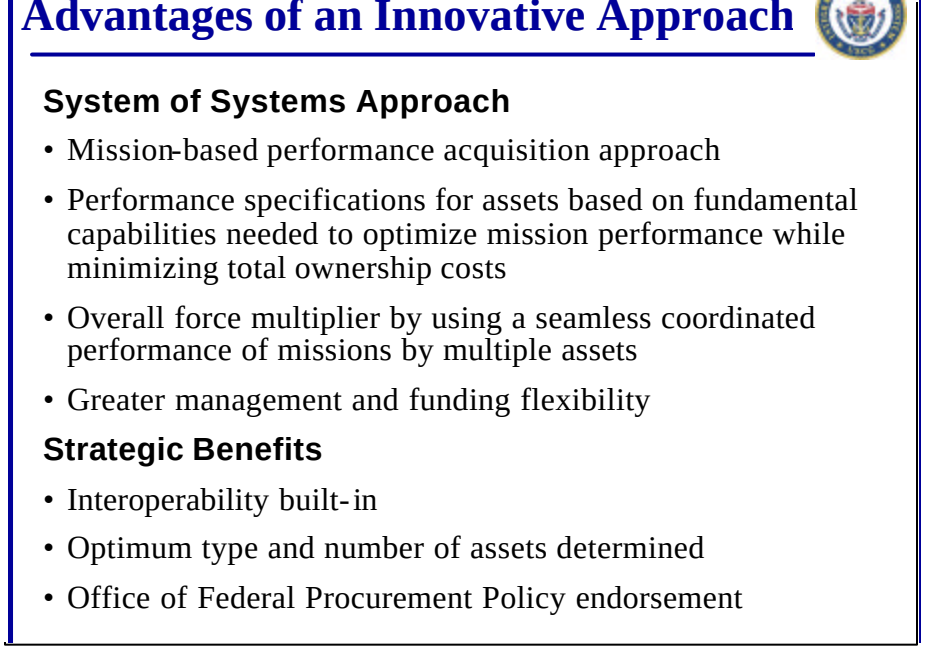
- Maximize Operational Effectiveness while Minimizing Total Ownership Costs

The Solution

Formally established in 1996, the Deepwater Program has been initiated to ensure the timely acquisition of the resources that will satisfy the Deepwater mission needs. The Deepwater Program seeks to renovate, modernize, and/or replace the Coast Guard's entire portfolio of Deepwater assets with an integrated system of surface, air, C4ISR and logistics systems. This program utilizes commercial and military technologies and innovation to develop a completely integrated, multi-mission, and highly flexible system of Deepwater assets that will maximize operational effectiveness while minimizing total ownership cost.

- The Coast Guard's solution to this challenge is the Deepwater Program, in which the Coast Guard seeks to renovate, modernize or replace Deepwater assets with an integrated system of surface, air, C4ISR, and logistics systems.

- The strategy is based upon a Mission-Based Performance Acquisition. The Program has issued a System Performance Specification (SPS) that describes the fundamental capabilities necessary to perform the entire range of Deepwater missions, focusing on mission capability not asset capability. During Phase 1 of the acquisition, Deepwater's industry teams developed integrated system concepts that they believe best met these requirements. This innovative approach broke the traditional federal acquisition paradigm by not tailoring the Program requirements to achieve a predetermined mix of ships or aircraft. This provided the Deepwater industry teams with the flexibility and trade space to determine the optimum mix of assets. Because the Program involves a



The Deepwater system of systems approach affords several significant strategic advantages:

- By focusing on mission capability and by including the entire fleet of Deepwater surface and air assets, industry had tremendous trade-space to apply new technologies and processes to maximize Coast Guard operational effectiveness and minimize Total Ownership Costs.
- The magnitude and scope of Deepwater has captured the interest & involvement of America's major defense contractors. The best minds and talent in industry have worked on the Deepwater problem.
- Interoperability is "built-in" to the system of assets right from the start. Improving the ability for ships and aircraft to work together essentially creates a force multiplier.
- The system of systems approach forced an examination of the optimal mix of assets to do Deepwater missions -- What kind and how many ships, aircraft, and UAVs are really necessary? How can a vastly improved C4ISR capability reduce the number of assets actually needed? -- In today's fiscally constrained environment, the Deepwater approach ensures the most efficient use of our precious recapitalization dollars.

National Priority/Interagency Task Force

The time is now... the need is real!

- The Coast Guard's ***roles and missions*** support national policies and objectives that ***will endure*** into the 21st century.
- The recapitalization of the Coast Guard's Deepwater capability is a ***near-term national priority***.
- The Deepwater acquisition project is a sound approach and the Interagency Task Force strongly ***endorses its process and timeline***.
- The nation today faces numerous ***threats***... a situation ***likely to worsen*** during the next two decades.

- The Interagency Task Force on U.S. Coast Guard Roles and Missions was commissioned by OMB to assess the roles and missions of your Coast Guard as well as the need for Deepwater.
- Comprised of 16 members of the executive branch representing our stakeholders and customers.
- Its conclusions serve as a validated missions need statement for the acquisition.
- They found the Coast Guard to be an enduring institution, one whose demands will increase over the coming decades.
- The recapitalization of the Coast Guard was essential and considered a near-term national priority.
- Deepwater acquisition was found to be the right course.

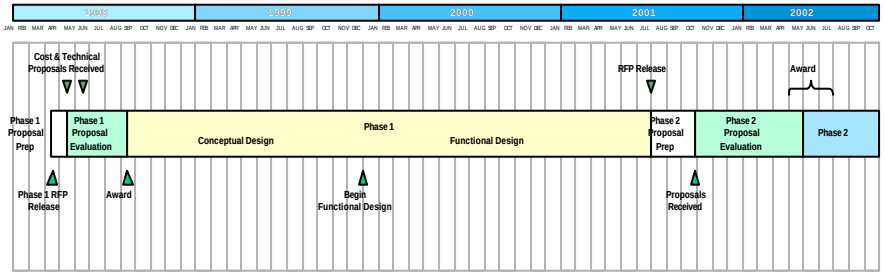
So who's playing in Deepwater? Deepwater is comparable in magnitude to DoD's major acquisitions and has attracted the interest and participation from the giants of industry.

•Deepwater's industry teams comprise all the major Tier 1 and Tier 2 shipyards, all the major domestic aircraft designers and manufacturers, and the leaders in hi-tech C^4ISR.

•Deepwater's industry teams and their suppliers provide opportunity and employment for a diverse range of essential core industries across the US and will continue to benefit working America for the next 15+ years

•This is new ground both for the CG and for industry ...

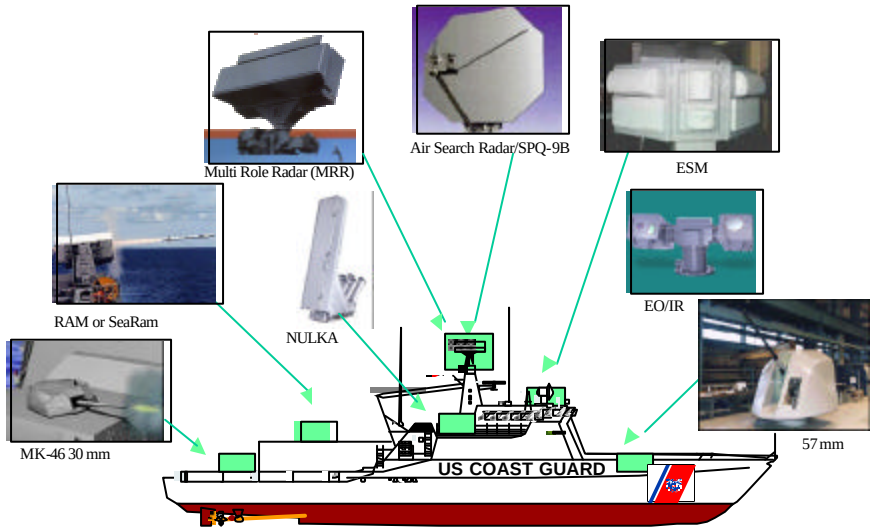
Deepwater Milestones



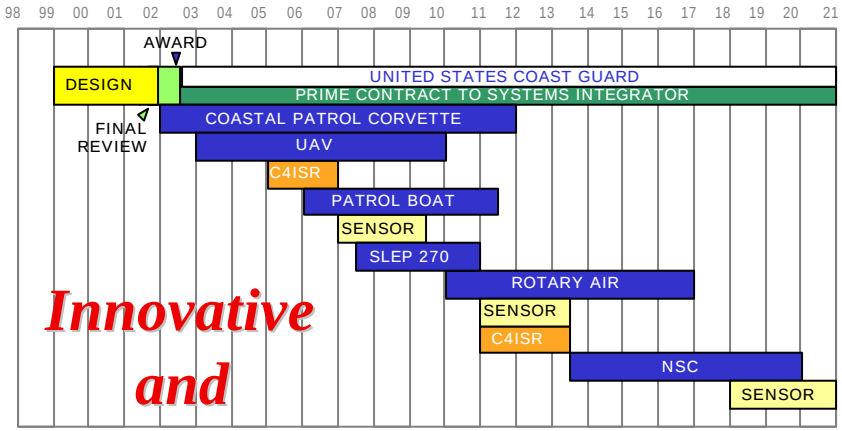
- RFP Released – 29 June 2001
- Proposals Received – 28 September 2001
- Award – 3rd Quarter, Fiscal Year 2002

The industry solutions are proprietary but a combination of assets (surface platforms, air platforms, advanced sensors, and hi-tech communications systems) have been included. The combination of assets will transform the United States Coast Guard from a platform centric force to a network centric force. The network system will greatly improve our ability to achieve total Maritime Domain Awareness.

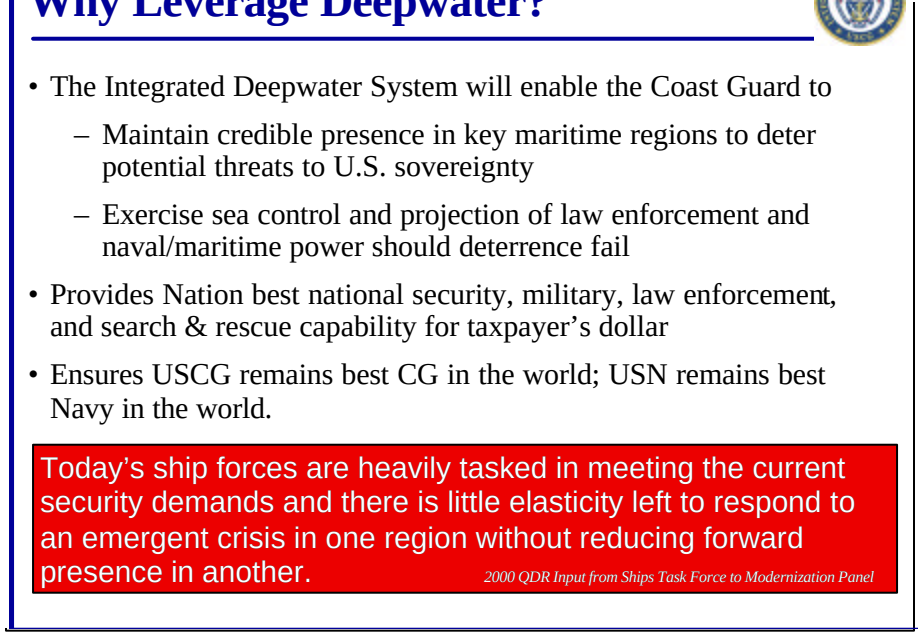
Notional Weapons Suite



Notional Timeline



Innovative and Flexible



Deepwater Program can be extremely beneficial to improve U.S. Industry export potential… delay in award will cause industry breakup… doc comments

The Deepwater Program can provide affordable interoperability for allied nations. The Department of Defense has commented that a delay will cause other nations to fall further behind.

The Deepwater Program can provide a "less threatening" means to meet International Trade in Arms Regulations (ITAR) exemptions for Australia and Canada. The Department of Defense has commented that a delay will result in both nations seeking other defense technologies.

Other nations are eager to acquire products (old and new)… delay will cause some to look for products from other countries

Foreign companies participating in Deepwater will lose revenue. Department of State may have to respond to concern from other nations.

People… Performance… Partnership

For over two hundred years, the Coast Guard has stood *Semper Paratus*, "Always Ready," to defend American lives and sovereignty on America's maritime front lines. As new challenges have arisen to our nation, the Coast Guard has successfully faced each new challenge, adding new missions to an increasingly overburdened service. Our success, however, has come through the work, and at the expense, of the Coast Guard's greatest asset – our people. In our continued defense of America, the Coast Guard can not continue to succeed *despite* our technology. We must provide our personnel with the assets and technology they need to continue to perform these essential missions.

"We must make sure that our Coast Guard has got a modern fleet of vessels."

President George W. Bush
January 25, 2002

Visit us on the web at http://www.uscg.mil/deepwater